

**Table 7. State Economic Activity: Declining in All 50 States**

State Indexes of Economic Activity			
States are Sorted by Percent Change vs. 3 Months Ago			
State	Coincident index November 2008 (Jan 2007=100)	Percent change vs. 1 year ago (February 2008)	Percent change vs. 3 months ago (November 2008)
Alaska	102.0	1.7	(0.1)
Wyoming	103.2	2.4	(0.5)
Louisiana	100.8	1.0	(0.5)
Nebraska	99.4	(0.7)	(0.7)
Texas	100.6	0.1	(0.8)
Iowa	98.8	(1.4)	(0.9)
New Mexico	98.7	(1.2)	(1.1)
Utah	98.2	(1.7)	(1.1)
Oklahoma	100.9	(0.1)	(1.1)
South Dakota	99.7	(0.8)	(1.1)
<b>United States</b>	<b>97.9</b>	<b>(2.2)</b>	<b>(1.3)</b>
North Dakota	101.1	0.3	(1.3)
New Hampshire	98.3	(1.8)	(1.3)
Virginia	97.9	(2.3)	(1.4)
Colorado	98.1	(2.2)	(1.4)
Mississippi	97.0	(3.1)	(1.5)
California	96.4	(3.6)	(1.6)
Connecticut	96.9	(3.2)	(1.7)
Arkansas	96.2	(3.7)	(1.7)
Hawaii	94.7	(5.1)	(1.7)
Kansas	97.7	(2.6)	(1.8)
Florida	93.6	(5.8)	(1.9)
New Jersey	96.3	(3.9)	(2.0)
Tennessee	96.3	(3.8)	(2.0)
Wisconsin	97.1	(3.0)	(2.0)
Illinois	94.9	(4.9)	(2.0)
Missouri	95.7	(4.2)	(2.1)
Maine	95.0	(4.9)	(2.1)
Rhode Island	94.9	(4.8)	(2.1)
Maryland	95.1	(4.8)	(2.3)
Montana	97.7	(2.1)	(2.5)
Georgia	94.5	(5.4)	(2.6)
Arizona	92.3	(7.2)	(2.7)
Indiana	94.6	(5.1)	(2.9)
Idaho	93.0	(6.5)	(2.9)
North Carolina	94.4	(5.8)	(3.2)
South Carolina	92.2	(7.7)	(3.4)
Massachusetts	96.2	(4.2)	(3.4)
Vermont	93.5	(6.3)	(3.4)
Kentucky	92.9	(6.9)	(3.5)
Delaware	90.5	(9.0)	(3.6)
Minnesota	92.7	(7.4)	(4.0)
Alabama	92.0	(7.8)	(4.3)
Ohio	92.0	(7.7)	(4.3)
Pennsylvania	91.3	(8.4)	(4.6)
West Virginia	96.1	(4.3)	(4.6)
New York	89.6	(10.3)	(4.7)
Nevada	87.9	(11.5)	(5.1)
Washington	87.7	(12.4)	(5.7)
Michigan	86.1	(13.5)	(7.0)
Oregon	81.0	(18.5)	(8.2)

Source: Federal Reserve Bank of Philadelphia.

## Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in states' tax laws. When states boost or depress their revenue growth with tax increases or cuts, it can be difficult to draw any conclusions about their current fiscal condition from nominal collections data. That is why this report attempts to note where such changes have significantly affected each state's revenue growth. We also occasionally note when tax-processing changes have had a major impact on revenue growth, even though these are not due to enacted legislation, as it helps the reader to understand that the apparent growth or decline is not necessarily indicative of underlying trends.

During the October-December 2008 quarter, enacted tax changes increased state revenue by an estimated net of \$500 million compared to the same period in 2007. Sales tax increases accounted for approximately \$428 million of the change, and the "other" tax category accounted for a \$151 million increase, reflecting tobacco tax increases. Net reductions in personal-income and corporate taxes offset some of the increases.<sup>6</sup>

The net impact is that total tax revenue declined 0.2 percent more than it would have in absence of these changes — unadjusted growth would have been negative 4.0 percent rather than the 4.2 percent reported growth. Figure 9 shows adjusted growth by region.

## Looking Ahead

The news from the October-December quarter was very bad for states. The worst decline in sales tax in 50 years represents historic weakness in one of the two major tax sources for states. Preliminary data for the January-March quarter suggest that fiscal

conditions deteriorated even further, and the second major tax source for states — the income tax — is likely to weaken dramatically in April. With data for January and February now available for 41 states, tax revenue for the two months combined has declined by 12.8 percent versus the same period last year. Nearly 90 percent of states reporting sales tax data had a year-over-year